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INTERIM REPORT

1975

DENISON MINES LIMITED



TO OUR SHAREHOLDERS:

We are pleased to report that the consolidated net earnings for the six months ended June 30, 1975 were a record \$10,756,000 or \$2.35 per share, an increase of 67% over the results in the same period in 1974 which were \$6,459,000 or \$1.41 per share.

Higher net revenue from uranium operations, resulting principally from the commencement of deliveries under our contract with Empresa Nacional del Uranio, S.A., was the major factor contributing to the improved earnings. Increased net revenue was also achieved from oil and gas operations while revenue from investments declined and the earnings of Lake Ontario Cement Limited were down from last year's record level.

Following the receipt of Canadian government approval of contracts for the delivery of uranium to Empresa Nacional del Uranio, S.A., and The Tokyo Electric Power Company, Inc., your Company received advance payments totalling \$36,000,000. An additional advance payment of \$5,000,000 will be received on July 31, 1975, under the latter contract. As shown in the financial information included in this report, the receipt of these funds has greatly strengthened the working capital position of your Company.

Your directors increased the annual dividend rate from \$1.40 to \$2.00 per share effective with the quarterly dividend paid on June 13, 1975. This action reflects the Company's increased earnings and the strong future outlook for your Company's operations.

URANIUM

As indicated by the financial results, 1975 has shown very positive results for Denison from the greatly increased free world demand for uranium. After many difficult years it is gratifying to report that your Company's persistence and determination are now resulting in improved earnings.

Delivery of 1 million pounds U₃O₈ now has been made to Empresa Nacional del Uranio, S.A. of Spain and three additional deliveries of 1 million pounds each are scheduled in the years 1975-1977. Under the contract with The Tokyo Electric Power Company, delivery of 40 million pounds U₃O₈ is scheduled for 1984-1993.

In June of this year, Denison Mines was a founding member of The Uranium Institute, incorporated by uranium producers in Australia, Canada, France, South Africa and the United Kingdom. The decision to form the Institute stems from the need for more reliable information on the long-term supply and demand position. This is now becoming of critical importance, given the necessity for a major expansion of the industry during the early 1980s to meet world demand. Headquartered in London, England, this Institute will have as its first Chairman, John Kostuik, the President of your Company.

MINING

The construction for the mill expansion at our Elliot Lake operation to 7,100 tons per day capacity will be completed in September 1975.

Early this year, interim increases over and above our contractual commitments were made in the hourly wage rates and salaries of union and non-union employees. In addition, the production incentive rates for underground employees were improved.

Steps are being taken to provide for the housing needs in Elliot Lake which will result from the expansion of our uranium operation. The lead time required is substantial and temporary accommodation is being arranged.

Environmental factors continue to receive emphasis in our operations. Improvements in our mining methods and in the selection and design of equipment will enable us to continue to meet Provincial standards of control which are under constant review. In June a brochure entitled "These are the Answers to 8 Important Questions the People in Elliot Lake Have Been Asking", initially issued by the Government of Ontario to miners in Elliot Lake, was reproduced and mailed to you. It is our belief that this brochure is most helpful in clarifying issues which have recently received widespread publicity.

OIL & GAS

In 1975 your Company has conducted exploration and development operations both alone and in conjunction with partners in Alberta, the U.S.A. and offshore Spain.

In Alberta a development program of four oil wells was completed in the Virginia Hills area and placed on production in early July of this year. The three gas wells drilled in the Farrell Lake area of Alberta have now established a productive trend extending for twelve miles and this gas should be put on production during 1976. At Cessford, a series of evaluation tests are being run on the four gas wells originally drilled in 1972. Further development of gas reserves in the Cessford area will be carried out during the third quarter of this year with the gas expected to go on production during 1976. The gas plant constructed in the Edson area in late 1974 which is owned by your Company and Iplex Oil and Gas Ltd. has proved to be successful and plans are now being considered for a second plant to serve our remaining four producing wells in the area. Two wells are being drilled in the Swan Hills area on property owned by your Company and two joint venture partners.

Your Company participated in the drilling of an oil well in Tennessee and a second well is currently being drilled in the same area. In South Texas, Denison and Galaxy Oil Company are drilling two wells in a 9,000 acre block of leases in an attractive gas trend. The leases in Montana and Utah acquired in 1974 will be further evaluated in the second half of this year by additional drilling under farmout arrangements with other companies.

A detailed seismic program was carried out earlier this year on the five Spanish Offshore Permits which your Company owns equally with Canada Northwest Land Limited. In June an agreement was reached under which California Oil Company of Spain, Pacific Petroleum Ltd. and Compania de Investigacion y Explotaciones Petroliferas S.A. of Spain will drill an exploratory well on one of our Permits to earn a 50% interest. After completion of the first earning well these same companies will be entitled to earn a similar interest by drilling the remaining four Permits. Drilling of the first well has already commenced. The agreement is subject to the approval of the Spanish government which, in the event of a discovery, will be entitled to acquire a 40% working interest in the Permit.

In the North Sea significant drilling activity continues on areas adjacent to Block 3/7 in which your Company has a 10% interest. One well drilled in Block 3/

8 had encouraging oil shows and two other wells in Blocks 3/2 and 3/3 are currently drilling. The information from these wells is expected to be helpful in evaluating the potential of our Block 3/7.

COAL

Interest in thermal and metallurgical coal has continued to be strong in both international and domestic markets. Negotiations are continuing with potential partners relative to the development of several of our coal properties.

At the end of April we were pleased to announce that agreement had been reached with World Resources Company, Mitsui Mining Co. Ltd. and Tokyo Boeki Ltd. to spend an additional \$3 million in 1975 and 1976 on our Quintette metallurgical coal project in Northeast British Columbia. The 1975-1976 program will be funded by a payment of \$2 million from the Japanese Companies and an advance of \$1 million which was made by the four companies in June.

The Quintette project now comprises all of the licences in the Babcock and Wolverine areas and, subject to government approvals and on completion of the work, will be owned 38.25% by your Company, 36.75% by World Resources, 12.5% by Mitsui and 12.5% by Tokyo Boeki. As part of the arrangements, the Japanese Companies paid your Company and World Resources a total of \$2 million in June and will pay a further \$1.12 million in 1976, these amounts being divided between your Company and World Resources 51% and 49% respectively. In addition, Mitsui Mining, Japan's largest coal mine operator, will make its hydraulic underground mining technology available to the Quintette project.

The new Quintette program is being managed by your Company and is now underway. The objective is to make a production decision in 1976.

EXPLORATION

The search for uranium deposits is being intensified in response to the projected increase in price and demand for uranium throughout the world. Your Company is active in exploration in Canada and the United States and has made examinations of uranium deposits in two other countries and made proposals for their possible development.

Investigation of the Johan Beetz prospect on the north shore of the Gulf of St. Lawrence is continuing and diamond drilling started in late May. A similar prospect at Mont Laurier, Quebec, is being explored under an agreement with Johns-Manville. Denison may earn a 70% to 80% interest by bringing the property into production.

In the United States, uranium properties are being acquired in the Wind River Basin of Wyoming and other prospects are being investigated in the Gas Hills uranium area of the same state. Diamond drilling is currently underway on a zinc prospect in New York State.

LAKE ONTARIO CEMENT LIMITED

Consolidated sales and net earnings for Lake Ontario Cement Limited, a 54% owned subsidiary, declined for the first six months of this year from the record 1974 levels. This decline occurred because of the current recession in the construction industry and, in particular, because of a significant drop in the housing segment of the economy. Consolidated sales totalled \$15,964,000, a 7.3% decrease from the 1974 first half level. Consolidated net earnings amounted to \$801,000 (19¢ per share) compared to \$1,383,000 (32¢ per share) for the same period in 1974.

which included an extraordinary gain on the sale of land of \$485,000 (11¢ per share).

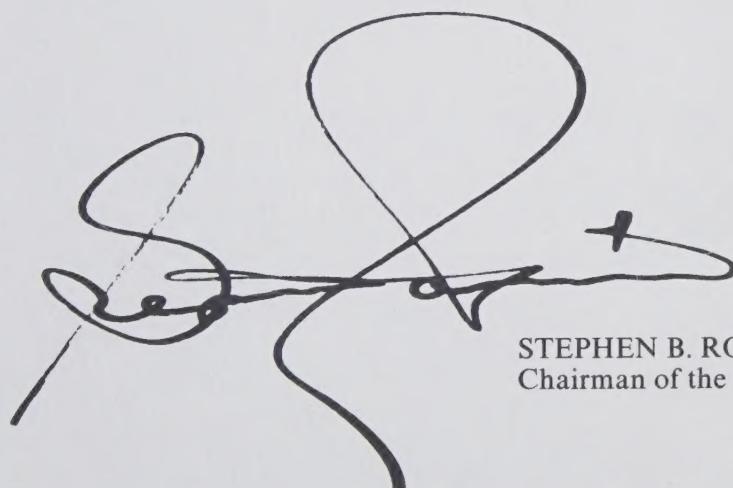
Lake Ontario is being paid \$2.7 million over a two-year period in settlement of a legal action and will account for this settlement by allocating the proceeds over the years to which the settlement relates. The amount of the settlement reflected in the results for the first half of 1975 is \$287,000 after taxes. The 1974 first half results have been restated to include \$107,000 after taxes relating to this settlement.

It is difficult to evaluate the earnings' prospects for the second half of 1975 without taking into account the timing and strength of an upturn in the Canadian and U.S. economies and the probability and duration of strikes in the construction industry.

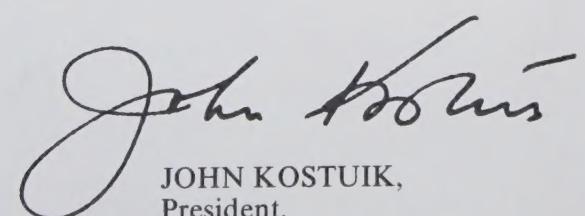
Lake Ontario's program of expanding its Picton cement plant is proceeding as scheduled and the new four-stage preheater kiln is expected to come into production by year end. This additional equipment will give Lake Ontario the expanded production capability needed to serve the growing Ontario market and to satisfy the contract for the sale of clinker over a three-year period beginning in 1976.

We wish to thank our shareholders for their continued support and interest in the progress of the Company.

On behalf of the Board of Directors



STEPHEN B. ROMAN
Chairman of the Board



JOHN KOSTUIK,
President.

Toronto, Ontario
July 16, 1975

DENISON MINES LIMITED

Summary of Consolidated Earnings

	Six Months Ended June 30	1975	1974
Net earnings before items shown below	\$21,195,000	\$10,492,000	
Revenue from investments	935,000	1,635,000	
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Depreciation, depletion and amortization	2,410,000	2,316,000	
Interest on long-term debt	776,000	578,000	
Interest on prior years' income taxes under appeal ..	—	25,000	
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Net earnings before income and mining taxes and minority interest	3,186,000	2,919,000	
Income and mining taxes	18,944,000	9,208,000	
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Minority interest in consolidated net earnings of Lake Ontario Cement Limited	11,127,000	7,100,000	
Net earnings for the period	371,000	641,000	
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Net earnings per share	\$10,756,000	\$ 6,459,000	
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	\$ 2.35	\$ 1.41	

Consolidated Statement of Changes in Financial Position

SOURCES OF WORKING CAPITAL

Current operations	\$14,436,000	\$ 8,795,000
Advances on concentrate sales contracts	24,815,000	1,188,000
Settlement of a legal action by Lake Ontario Cement Limited	1,800,000	—
Issue of debenture of Lake Ontario Cement Limited — less expense	—	15,463,000
Long-term investments	2,231,000	212,000
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	43,282,000	25,658,000

USES OF WORKING CAPITAL

Additions to property, plant and equipment — net	13,630,000	2,736,000
Long-term investments	748,000	1,803,000
Concentrate inventories	—	1,061,000
Repayment of Lake Ontario Cement Limited debenture	—	9,917,000
Reduction in long-term debt	104,000	104,000
Dividends to minority shareholders of Lake Ontario Cement Limited	150,000	120,000
Dividends	3,883,000	3,198,000
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Increase in working capital	18,515,000	18,939,000
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	\$24,767,000	\$ 6,719,000

Notes

1. Gross operating revenue of the Company for the six months ended June 30, 1975 increased by 100.9% from the corresponding period in 1974. The proportion of this percentage change attributable to the Uranium Division and to the Oil and Gas Division was 97.8% and 2.2% respectively. Consolidated sales of Lake Ontario Cement Limited were \$15,964,000 for the six months ended June 30, 1975 and \$17,228,000 for the comparable period in 1974.
2. Comparative figures for 1974 have been restated to reflect favourable settlement of a legal action and introduction of Alberta tax credits, which, together, had the effect of increasing net income by \$207,000 or 4¢ per share for the period ended June 30, 1974.
3. Revenue from investments in 1975 includes a gain on sale of a long-term investment of \$1,045,000 and a write-down of \$2,110,000 in the carried value of a portfolio investment.